

October 03, 2008

Since Monday, we have seen a hint of what a failure to act might mean for our economy. The stock market plunged by nearly eight hundred points, the largest drop in history. Car manufacturers are reporting that sales have plunged as people have been unable to secure car loans. Small businesses have been unable to purchase supplies as manufacturers increase costs and tighten payment restrictions. Americans have lost their jobs. In light of all of this, senators who, on Monday, decried the House proposal to stabilize our economy voted on Wednesday for a similar plan of their own, and it looks like the House of Representatives will vote on Friday. I wish that all of this meant that those who had not shared my concerns about how the credit market crunch would affect us have come around, but I'm afraid that's not the whole story. While it will still prohibit golden parachutes, the Senate bill contains a number of new provisions designed to bring around some of the House Republicans who voted against the first plan, things like an additional \$40 billion in tax breaks for big business. This comes on top of provisions like the relaxation of mark-to-market rules, so highly touted in many circles, which would allow companies to stop listing their assets by what they paid for them and, instead, write in what they think those assets are worth, the kind of book balancing that brought down Enron in 2001 and helped create the current crisis. The bill that will come before the House on Friday is an even less palatable pill than the one we voted for on Monday. Unfortunately, the medicine our markets need is in there, and we will have to grit our teeth and swallow it.

Many of you have suggested a number of alternatives to the proposed plan, and I want to take a moment to address some of them. One of the most cited has been the so-called "We Deserve it Dividend", which suggests that dividing the money amongst the American people would mean a \$425,000 check to each of you. Well, math was never my best subject but, if you plug the numbers into a calculator, you find that it breaks down to a few hundred dollars, instead. As much as that would help many Americans, that's not going to fix this situation, nor do I want to send a check to Jack Abramoff.

A much more attractive option is to have the federal government buy up the troubled mortgages to help honest, hard-working people keep their homes. We like that idea so much that the House actually passed such a bill in August, 2007. When the Senate finally passed it this year, we sent it to the President in July and the Federal Housing Authority has already begun to help lenders and homeowners to restructure mortgages. Both must give the government some money on the deal to pay back the taxpayers like you who are helping them out of a bad situation, and everyone benefits in the end. This is welcome and appropriate relief but, if it were enough to fix our troubles, we never would have seen the current crisis.

Many pundits, economists, and San Antonians have also criticized the idea of buying what's called toxic debt, suggesting, instead, that the government should recapitalize banks by buying stock. Well, as those of you who have been reading my E-Newsletters know, I have always liked that idea. I also voted for it on Monday, because both that plan and the one the Senate passed on Wednesday allow - and, indeed, encourage - the Treasury to purchase stock in banks. As I have said so many times, this plan is an investment of your money in your economy, and I want you to be able to recoup it.

We are facing a bad situation. AARP chief Bill Novelli has joined us in calling for passage of a recovery plan because his members are seeing their hard-earned retirement funds disappear. Business owners and community bankers in San Antonio have seen the credit crunch begin to take its toll on their customers and clientele. Thousands of jobs have already been lost. I do not love this proposal. There are certainly things in it that I don't like at all, as well as a number of things I do, like AMT relief and support for renewable energy. I certainly hope that the 111th Congress takes a long, hard look at what has been done and adjusts things to improve the response. But right now, today, this bill is what is best for our country. I was elected to exercise my judgment after a thorough review of the facts and the figures. I will vote "Yes" because I earnestly believe that is what is best for you, for your family, and for San Antonio.